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# In the Supreme Court of the United States

VICTOR MOSELEY and CATHY MOSELEY, dba
VICTOR'S LITTLE SECRET, PETITIONERS

v.

V SECRET CATALOGUE, INC., ET AL.

*ON WRIT OF CERTIORARI TO THE*
*UNITED STATES COURT OF APPEALS*
*FOR THE SIXTH CIRCUIT*

## BRIEF OF THE AMERICAN BAR ASSOCIATION AS *AMICUS CURIAE* SUPPORTING RESPONDENTS

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## STATEMENT OF INTEREST

The American Bar Association ("Association" or "ABA"), with over 408,000 members, is the leading national membership organization of the legal profession.[1] Its members come from each of the fifty states, the District of Columbia, and the U.S. territories. Membership is voluntary and includes attorneys in private practice, government service, corporate law departments and public interest organizations, as well as legislators, law professors, law students and non-lawyer associates in related fields.

The Association's Section of Intellectual Property Law is the largest organization of intellectual property lawyers in the world, with over 21,000 members. The Intellectual Property Law Section has long contributed to the development of the United States' legal system for protecting intellectual property rights.

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[1] Pursuant to Supreme Court Rule 37, this brief is being submitted with the consent of the parties. *Amicus Curiae*, ABA, states that this brief has not been authored in whole or in part by counsel for a party and that no person or entity, other than *Amicus*, its members, or its counsel, has made a monetary contribution to the preparation or submission of this brief. Neither this brief nor the decision to file it should be interpreted to reflect the views of any judicial member of the American Bar Association. No inference should be drawn that any member of the Judicial Division Council has participated in the adoption of or endorsement of the positions in this brief. This brief was not circulated to any member of the Judicial Division Council prior to filing.

Based on its support of the Federal Trademark Dilution Act,[2] 15 U.S.C. § 1125(c) ("FTDA"), and concern about the conflicting interpretations of the FTDA by the Courts of Appeals, the ABA's Section of Intellectual Property Law adopted the following resolution on April 15, 2002:

> that the American Bar Association supports interpretation and amendment of the federal Lanham Act to insure that questions of trademark dilution under that Act are uniformly resolved under the standard of whether the junior user's mark is likely to cause dilution of the senior user's mark, rather than under a standard of actual dilution.

The ABA Board of Governors adopted this resolution as ABA policy on June 22, 2002.

## SUMMARY OF ARGUMENT

The question presented by the Petition for Writ of Certiorari, and the divergent opinions among the U.S. Courts of Appeals from which it developed, erroneously posits a dichotomy between actual economic harm on the one hand and likelihood of dilution on the other. The FTDA's plain language refutes that dichotomy. The FTDA provides that

[2] *See Trademarks Legislation: Hearings on H.R. 1295 Before the Subcomm. on Courts and Intellectual Property of the House Comm. on the Judiciary*, 105 Cong. (1995) (statement of Thomas E. Smith, Chair, ABA Section of Intellectual Property Law), 1995 WL 437438 (F.D.C.H.)



dilution claims can be sustained by showing that the defendant's actions reduce the present or future ability of the plaintiff's famous mark to identify and distinguish goods or services. No showing of additional harm is required.[3] The evidentiary standard should focus on trademark dilution considerations and avoid likelihood of confusion factors that properly belong to a trademark infringement analysis.[4]

[3] The opinion below, *V Secret Catalogue, Inc., v. Moseley*, 259 F.3d 464, 476-77 (6th Cir. 2001), held that proof of actual economic harm is not a prerequisite for FTDA claims, and that proof that harm is likely can support an FTDA claim. These holdings are correct and should be affirmed.

[4] The ABA believes the FTDA is unambiguous and thus should be interpreted in accordance with its plain language as set forth in the argument in this brief. The noted ABA policy contemplates, however, the alternative possibility that this Court might conclude otherwise and hold that a showing of economic harm is required to sustain a dilution claim. In that event, the ABA would be in a position to request Congress to amend the FTDA to maintain its effectiveness. The House Judiciary Committee Subcommittee on Courts and Intellectual Property held a hearing on February 14, 2002, and heard testimony on whether the FTDA should be amended, but there is currently no pending legislation seeking to do so.

## ARGUMENT

### A. The FTDA's definition of dilution as the lessening of a famous mark's capacity to identify and distinguish goods or services includes prospective harm and is not limited to actual economic harm.

The statutory language in question unambiguously identifies the proper evidentiary standard.[5] As this Court has consistently held, "[w]hen the words of a statute are unambiguous, . . . 'judicial inquiry is complete.'" *Barnhart v. Sigmon Coal Co., Inc.*, 122 S. Ct. 941, 956 (2002) (citations omitted). Section 1125(c)(1) provides that the plaintiff must prove the defendant makes commercial use in commerce of its mark,[6] causing dilution of the plaintiff's mark. Section 1127 defines dilution as "the lessening of the

[5] "The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark becomes famous and *causes dilution* of the distinctive quality of the [plaintiff's] mark . . . ." 15 U.S.C. § 1125(c)(1) (emphasis added). "The term 'dilution' means *the lessening of the capacity* of a famous mark to identify and distinguish goods or services." 15 U.S.C. § 1127 (emphasis added).

[6] The "commercial use" requirement is a significant limitation of the FTDA's scope. Furthermore, the FTDA expressly provides that the following activities are not actionable: fair use of a mark in comparative advertising; any noncommercial use of a mark; and use of a mark in any forms of news reporting and news commentary. *See* 15 U.S.C. § 1125(c)(4).



capacity of a famous mark to identify and distinguish goods or services." General usage dictionaries show that "capacity" means "the *potential* or suitability for holding, storing, or accommodating."[7] "Potential" means "something that *can develop or become actual.*"[8]

According to the FTDA's definition, the concept of potentiality, and thus of futurity, is inherent in the term "dilution." The plain statutory language shows that the FTDA is designed to prevent present or future harm to the plaintiff's mark caused by the defendant's current use of its mark.[9] Therefore, to

[7] *Webster's Ninth New Collegiate Dictionary*, at 203 (1990) (emphasis added). *Accord Merriam Webster's Collegiate Dictionary*, at 168 (1997).

[8] *Webster's Ninth New Collegiate Dictionary*, at 921 (1990) (emphasis added). *Accord Merriam Webster's Collegiate Dictionary*, at 912 (1997).

[9] The FTDA's remedies support this plain-language interpretation. The primary remedy for FTDA violations is injunctive relief. *See* 15 U.S.C. § 1125(c)(1). Monetary damages are available only upon a showing of willful intent. *See* 15 U.S.C. § 1125(c)(2). "[D]amages are considered compensative of past harm and *injunctions are preventative of future harm* . . . ." *Protective Closures Co., Inc., v. Clover Indus., Inc.*, 394 F.2d 809, 813 (2d Cir. 1968) (emphasis added). *See also Landgraf v. USI Film Prods.*, 511 U.S. 244, 282 (1994) (stating that "compensatory damages are quintessentially backward looking"); *Alpo Petfoods, Inc., v. Ralston Purina Co.*, 913 F.2d 958, 966 (D.C. Cir. 1990) (permanent injunction proper if defendant is likely to cause future harm). The legislative history of the FTDA also confirms this interpretation. "[D]ilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark." H.R. Rep. No. 104-374, at 2-3 (1995). Professor McCarthy, a leading commentator on U.S.

prove a trademark dilution claim under the FTDA, the plaintiff must show, at a minimum, that the defendant's commercial use in commerce of the defendant's mark reduces the future ability of the plaintiff's famous mark to identify and distinguish goods or services.[10] *See* 15 U.S.C. §§ 1125(c)(1) and 1127. Additional detriment to the plaintiff's mark need not have materialized at the time of the plaintiff's lawsuit and is not a required element of a dilution claim.[11]

As in every lawsuit, the plaintiff should be able to prove its case by presenting any competent evidence

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trademark law, has expressed a view consistent with the ABA's interpretation. *See* 4 *McCarthy on Trademarks*, § 24:90 at 24-148 to 24:149 and n.19 (4th ed. 2002).

[10] There is nothing unusual about the FTDA's protection against prospective harm to intangible legal rights such as trademarks. Copyright law operates in similar fashion: "Actual present harm need not be shown; such a requirement would leave the copyright holder with no defense against predictable damage. Nor is it necessary to show with certainty that future harm will result. What is necessary is a showing by a preponderance of the evidence that *some* meaningful likelihood of future harm exists." *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 451 (1984) (emphasis in original).

[11] Petitioner and *Amicus* United States argue that "likelihood of dilution in the future," Petitioner's Brief at 13, or an impairment of "'future' capacity," United States' Brief at 23, are not actionable. That argument is based on an incorrect reading of the FTDA that focuses unduly on the phrase "causes dilution" and pays insufficient attention to the definition of dilution. *See generally* Petitioner's Brief at 9-10, 21-23, 26; *Amicus* United States' Brief at 6-7, 13-14, 26-27.



probative of dilution,[12] such as the degree of fame and distinctiveness of the plaintiff's mark, the similarity of the plaintiff's and defendant's marks, the nature of the defendant's use of its mark, survey evidence, and economic harm to the plaintiff's mark.[13]

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[12] "[I]n any lawsuit, the plaintiff may prove his case by direct or circumstantial evidence. The trier of fact should consider all the evidence, giving it whatever weight or credence it deserves." *U.S. Postal Services Board of Governors v. Aikens*, 460 U.S. 711, 714 n.3 (1983) (citation omitted).

[13] It would be inadvisable to foreclose the courts from considering all relevant facts and circumstances that may be presented by particular cases. Edward S. Rogers, who in 1946 became the primary draftsman of the Lanham Act as chair of an ABA committee, wrote of unfair competition in 1914: "It was necessary, therefore, [for the infringer] in some way to circumvent the law, and the infringer, being as ingenious as he was unscrupulous, set his wits to the accomplishment of this task." EDWARD S. ROGERS, GOOD WILL, TRADE MARKS AND UNFAIR TRADING 126 (1914). *Accord People ex rel. Mosk v. Nat'l. Research Co.*, 201 Cal. App. 2d 765, 772 (Dist. Ct. App. 1962) (stating "it would be impossible to draft in advance detailed plans and specifications of all acts and conduct to be prohibited, since unfair or fraudulent business practices may run the gamut of human ingenuity and chicanery") (citation omitted).

B. The Circuit split arose from the courts' departures from the FTDA's plain language.

1. This Court should reject the "actual dilution" standard, and should allow consideration of all competent and relevant evidence that tends to prove dilution.

A split of opinion among certain U.S. Courts of Appeals has emerged over the meaning of the FTDA, cast in terms of "actual dilution" versus "likelihood of dilution." Neither phrase, however, appears in the FTDA. Framing the terms of the debate, *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Dev.*, 170 F.3d 449 (4th Cir. 1999), held the FTDA requires proof of "actual, consummated dilution," *id.* at 458, in order to prevent owners of famous marks from obtaining a "property-right-in-gross" in their marks, *id.* at 459. Thus far, only the Fifth Circuit has adopted *Ringling's* analysis. *See Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 671 (5th Cir. 2000).

*Ringling* held the FTDA "proscribes and provides a remedy only for actual, consummated dilution," 170 F.3d at 458, based on its finding that the word "capacity" means only "former capacity," but not present or future capacity, *id.* at 460-61.[14] Restricting the time dimension of "capacity" in this manner is not

[14] In support of its interpretation, the court cited the FTDA's use of "lessens" in the definitional section. *Id.* at 460-461. The statute, however, actually uses the gerund, "lessening," and is thus indeterminate with regard to time.



justified by the statutory language. It also ignores the concept of potentiality inherent in the word "capacity."[15] Based on its erroneous textual analysis, the court held an FTDA claim can be established only by proof of "actual economic harm to the famous mark's economic value." 170 F.3d at 461. Plaintiffs must show "an actual loss of revenues," or present "[a] skillfully constructed consumer survey . . . from which actual [economic] harm and cause might rationally be inferred." 170 F.3d at 465. Circumstantial evidence cannot constitute independent proof; it may be used only to "complement other proof." *Id.*

*Ringling's* evidentiary restrictions are improper.[16] Adopting the *Ringling* test would deprive plaintiffs of any realistic recourse under the FTDA, undermine the FTDA's ability to guide the behavior of actors in the marketplace, and compromise the salutary goal of early resolution of trademark disputes. The Second Circuit recognized these negative effects of the *Ringling* approach:

[15] *Ringling* also incorrectly divided dilution into a mark's "selling power" and its "'distinctiveness' as such," *id.* at 459, and claimed that the FTDA is concerned only with the former: "[T]he end harm at which [the FTDA] is aimed is a mark's selling power, not its 'distinctiveness' as such." *Id.* at 458. This division has no support in the statute and contradicts established principles of trademark law. *See* 2 *McCarthy on Trademarks*, § 15:5 at 15-9 (4th ed. 2002) (noting that a mark's distinctiveness *is* its "drawing power" and "commercial magnetism").

[16] *See supra* note 12. *See also Fed. Power Comm'n. v. Florida Power & Light Co.*, 404 U.S. 453, 469 (1972) (stating that "even in a criminal prosecution where the highest standards of proof are required, guilt may be shown by circumstantial evidence").

> To read the statute as suggested by the *Ringling* opinion would subject the senior [trademark] user to uncompensable injury. The statute could not be invoked until injury had occurred. And, because the statute provides only for an injunction and no damages (absent willfulness), *see* 15 U.S.C. § 1125(c)(2), such injury would never be compensated. The *Ringling* reading is also disastrously disadvantageous for the junior user. In many instances the junior user would wish to know whether it will be permitted to use a newly contemplated mark before the mark is launched rather than after. . . . If the statute is interpreted to mean that no adjudication can be made until the junior mark has been launched and has caused actual dilution, businesses in Nabisco's position will be unable to seek declaratory relief before going to market. They will be obligated to spend the huge sums involved in a product launch without the ability to seek prior judicial assurance that their mark will not be enjoined.

*Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 224 (2d Cir. 1999). As *Ringling* acknowledges, 170 F.3d at 458-59, owners of famous marks would be substantially worse off under the FTDA than they were under the various state dilution statutes.[17]

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[17] Proof of actual economic harm is typically not required under state dilution statutes. *See Ringling*, 170 F.3d at 458-59.



### 2. The "likelihood of dilution" standard comports more closely with the FTDA.

The Second, Sixth and Seventh Circuits have rejected *Ringling's* interpretation of the FTDA, primarily because of their concern that *Ringling's* stringent evidentiary requirements would make the statute unworkable. *See Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 224-25 (2d Cir. 1999); *V Secret Catalogue, Inc., v. Moseley*, 259 F.3d 464, 476 (6th Cir. 2001); *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 468 (7th Cir. 2000). Beginning with *Nabisco*, these courts countered *Ringling's* "actual dilution" terminology by adopting a "likelihood of dilution" terminology and correspondingly lowering *Ringling's* evidentiary requirements. *See Nabisco*, 191 F.3d at 224-25; *Eli Lilly*, 233 F.3d at 468; *Moseley*, 259 F.3d at 476-77.

*Nabisco* correctly rejected *Ringling's* heightened evidentiary requirements and found the prohibition of circumstantial evidence to be "arbitrary and unwarranted." 191 F.3d at 223. It did not, however, refute the cardinal mistakes of statutory interpretation that led *Ringling* to its wrong conclusion. Instead, *Nabisco* incorrectly conceded that *Ringling* had the literal meaning of the statute on its side and posited a (non-existent) conflict between that literal meaning and the statute's intent:

> We recognize that the language of the statute gives some support to [*Ringling's*] reading . . . . In our view, however, [*Ringling's*] reading depends on excessive literalism to defeat the intent of the

> statute. Notwithstanding the use of the present tense in 'causes dilution,' it seems plausibly within Congress's meaning to understand the statute as intending to provide for an injunction to prevent the harm before it occurs.

191 F.3d at 224. To prevent the undesirable consequences associated with *Ringling's* erroneous interpretation, *Nabisco* adopted what it called the "likelihood of dilution" standard, which comports substantively with the FTDA to the extent it can be met by showing that defendant's conduct reduces the future ability of the plaintiff's famous mark to identify and distinguish goods or services.[18] As phrased, however, the *Nabisco* standard disregards the fact that the FTDA already defines dilution as "the lessening of the *capacity* of a famous mark,"[19] making the addition of "likelihood" language superfluous. *Eli Lilly* and *Moseley* subsequently followed *Nabisco's*, rather than *Ringling's*, interpretation of the FTDA.[20]

C. Likelihood of confusion factors should not be used in a dilution test.

The *Nabisco* test, which was adapted from *Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1035 (2d Cir. 1989), incorrectly applies traditional likelihood of confusion factors used in determining trademark infringement to a trademark

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[18] *See* 191 F.3d at 217-23.

[19] 15 U.S.C. § 1127 (emphasis added).

[20] *See Eli Lilly*, 233 F.3d at 468; *Moseley*, 259 F.3d at 475.



dilution case, thus conflating these separate and distinct causes of action. *See, e.g., Eli Lilly*, 233 F.3d at 468-69.[21] *Eli Lilly* pruned *Nabisco's* dilution test of its confusion factors, leaving only the two *Nabisco* factors that are relevant to dilution, namely, the fame of the senior mark and the similarity of the senior and junior marks. *See* 233 F.3d at 469. While these two factors are likely to be pivotal in any dilution analysis under the FTDA, other facts may also be probative. *See* discussion *supra*. This Court should therefore clarify that the finder of fact may consider any evidence probative of dilution as may be appropriate under the circumstances of the case.

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[21] *See also* H.R. Rep. No. 104-374, at 2-3 (1995) ("[D]ilution is an injury that differs materially from that arising out of the orthodox confusion."); 4 *McCarthy on Trademarks*, § 24:90 at 24-145 (4th ed. 2002) (stating that "[w]hile traditional trademark law rests primarily on a policy of protection of customers from mistake and deception . . . [a]nti-dilution law has a strong resemblance, not to the law of consumer protection, but to the law of trespass").

## CONCLUSION

This Court should affirm the opinion below to the extent it held trademark dilution can be established by evidence, direct or circumstantial, that the defendant's commercial use of its mark in commerce reduces the present or future ability of the plaintiff's famous mark to identify and distinguish goods or services, regardless of the presence or absence of actual economic harm to the value of the plaintiff's mark.

Respectfully submitted,

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